



Hlabisa Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Members of the Council

V.F Hlabisa	Mayor
B.Ntombela	Deputy Mayor
M.S Jele	Speaker
S.F Mdaka	Member of the Executive Committee
B.A Mokoena	Member
T.T Kunene	Member
B.J Langa	Member
B.W Manqele	Member
G.R Mchunu	Member
Z.P Ndlovu	Member
H.T Nkosi	Member
T.Z Nkosi	Member
O.Z Simelane	Member
M.B Sithole	Member
V.M.V Zungu	Member
B.I Zungu	Member

Accounting Officer/Municipal Manager

Mr K.E Gamede

Chief Finance Officer

B.M Thusi

Grading of local authority

2

Auditors

Auditor General

Bankers

ABSA
FNB

Registered office

Municipal Building
Lot 808 Masson Street
Hlabisa
3937

Physical address

Municipal Building
Lot 808 Masson Street
Hlabisa
3937

Postal address

P.O. Box 387
Hlabisa
3937

Telephone number

035 838 8500

Fax number

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info@hlabisa.org.za

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME'S	IPSAS
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Approval of Annual Financial Statements

I am responsible for the preparation these annual financial statements, which are set out in pages 4 to 30 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: Mr K.E. Gamede
31 August 2012

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011 Restated
ASSETS			
Current Assets			
Inventories	2	43 733	1 884
Trade and other receivables from exchange transactions	3	1 730	13 251
VAT receivable	4	1 133 983	2 624 186
Consumer debtors	5	614 481	432 339
Cash and cash equivalents	6	8 674 098	10 376 633
		<u>10 468 025</u>	<u>13 448 293</u>
Non-Current Assets			
Investment property	7	113 900	113 900
Property, plant and equipment	8	63 778 792	67 892 450
Intangible assets	9	670 714	745 568
Deposits	10	14 200	14 200
		<u>64 577 606</u>	<u>68 766 118</u>
Total Assets		<u>75 045 631</u>	<u>82 214 411</u>
LIABILITIES			
Current Liabilities			
Finance lease obligation	11	585 000	472 289
Trade and other payables from exchange transactions	12	2 240 942	7 867 571
Unspent conditional grants and receipts	13	9 403 729	10 280 774
Bank overdraft	6	1 699 936	1 666 095
		<u>13 929 607</u>	<u>20 286 729</u>
Non-Current Liabilities			
Finance lease obligation	11	873 072	-
Total Liabilities		<u>14 802 679</u>	<u>20 286 729</u>
NET ASSETS		<u>60 242 952</u>	<u>61 927 682</u>
NET ASSETS			
Accumulated surplus		<u>60 242 952</u>	<u>61 927 682</u>

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Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011 Restated
Revenue			
Property rates	14	317 189	307 113
Service charges	15	232 871	660 448
Property rates - penalties imposed and collection charges	14	179 835	112 535
Fines		1 622 651	6 282 961
Licences and permits		282 328	274 663
Government grants & subsidies	16	65 594 850	67 068 273
Commission received		193	-
Rental of facilities and equipment	17	206 824	192 044
Sundry income	17	938 843	276 335
Interest earned - external investments		851 520	895 124
Total Revenue		70 227 104	76 069 496
Expenditure			
Employee related costs	18	(13 014 606)	(14 061 189)
Remuneration of councillors	19	(3 641 878)	(6 885 481)
Depreciation and amortisation	20	(3 030 100)	(2 598 431)
Finance costs	21	(323 533)	(90 596)
Debt impairment		(766 361)	(88 932)
Repairs and maintenance		(274 415)	(122 078)
Contracted services	22	(6 468)	(2 632 337)
Grants and subsidies paid		(14 550 622)	(19 517 052)
General expenses	23	(36 303 852)	(20 760 373)
Total Expenditure		(71 911 835)	(66 756 469)
(Deficit) surplus for the year		(1 684 731)	9 313 027

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	56 641 035	56 641 035
Adjustments		
Correction of error	(3 948 342)	(3 948 342)
Balance at 01 July 2010 as restated	52 692 693	52 692 693
Changes in net assets		
Prior period adjustment as per audited AFS	(168 584)	(168 584)
Casting errors in prior period AFS	90 546	90 546
Net income (losses) recognised directly in net assets	(78 038)	(78 038)
Surplus for the year	9 313 027	9 313 027
Total recognised income and expenses for the 12 months	9 234 989	9 234 989
Total changes	9 234 989	9 234 989
Balance at 01 July 2011	61 927 683	61 927 683
Changes in net assets		
Surplus for the year	(1 684 731)	(1 684 731)
Total changes	(1 684 731)	(1 684 731)
Balance at 30 June 2012	60 242 952	60 242 952

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Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		2 634 874	1 216 977
Grants		65 594 850	64 818 321
Interest received		851 520	895 124
Other receipts		1 145 860	7 065 619
Other cash item		-	1 384 425
		<u>70 227 104</u>	<u>75 380 466</u>
Payments			
Employee costs		(16 656 484)	(20 946 670)
Community grant expenditure		(14 550 622)	(19 517 052)
Interest paid		(323 533)	-
Consulting and professional fees		(6 427 551)	(7 944 133)
Other payments		(19 680 661)	(7 926 405)
		<u>(57 638 851)</u>	<u>(56 334 260)</u>
Net cash flows from operating activities	24	<u>12 588 253</u>	<u>19 046 206</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(15 310 414)	(14 958 573)
Purchase of other intangible assets	9	-	(850 230)
Net cash flows from investing activities		<u>(15 310 414)</u>	<u>(15 808 803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from finance lease liability		985 783	30 463
Net increase/(decrease) in cash and cash equivalents		<u>(1 736 378)</u>	<u>3 267 866</u>
Cash and cash equivalents at the beginning of the year		8 710 538	5 442 672
Cash and cash equivalents at the end of the year	6	<u>6 974 160</u>	<u>8 710 538</u>

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Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 Basis of preparation of the Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statement

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events after the Reporting Date

GRAP 16 Investment Properties

GRAP 17 Property, Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 Non Current Assets Held for Sale and Discontinued Operations

GRAP 101 Agriculture

GRAP 102 Intangible Assets

IPSAS 20 Related Party Disclosure

IAS 39 Financial Instruments

1.2 Presentation of Currency

The Annual Financial Statements are presented in South African Rand, which is the Municipality's functional currency.

1.3 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the unaudited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated.

The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Standards , Amendments to standards and interpretations issued but not yet effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non- Cash generating assets- issued March 2009
GRAP 23 Revenue from Non- Exchange Transactions
GRAP 24 Presentation of Budget Information - issued November 2007
GRAP 25 Employee Benefits - issued 11 January 2009
GRAP 26 Impairment of Cash generating assets - issued March 2009
GRAP103 Heritage Assets
GRAP104 Financial Instruments

1.6 Property, plant and equipment

1.6.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at Fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

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Accounting Policies

Property, plant and equipment (continued)		Other	
Infrastructure			
Roads and Paving	15 years	Computer equipment	3-7 years
Pedestrian Malls	20 years	Specialist	5-20 years
Electricity	30 years	Other vehicles	3-15 years
Water	20 years	Office years	3-7 years
Sewage	20 years	Furniture	7-10 years
		Watercraft	15 years
Community		Bins and containers	5-7 years
Buildings	30 years	Specialised plant and equipment	2-15 years
Recreational Facilities	20 years	Other items of plant	2-15 years
Security	30 years	Landfill sites	30 years
Halls	30 years	Quarries	30 years
Libraries	30 years	Emergency Equipment	5-15 years
Parks and Gardens	30 years		
Heritage assets		Buildings	30 years
Paintings and Artifacts	30 years		
Finance lease assets			
Office equipment	30 years		

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.6.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 Intangible assets

1.7.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

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Accounting Policies

Intangible assets (continued)

1.7.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.7.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial position.

1.8 Investment property

1.8.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.8.2 Subsequent measurement - Cost model

Investment property is measured using the cost model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.9 Inventories

1.9.1 Initial Recognition

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

Inventories (continued)

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.9.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method. .

1.10 Financial instruments

Initial recognition and measurement

1.10.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.10.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.10.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.10.2.2 Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount less repayments, plus interest.

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Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

Financial instruments (continued)

1.10.2.3 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.10.2.4 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.11 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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Accounting Policies

Provisions and contingencies (continued)

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Leases

1.15.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.15.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease.

The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Revenue Recognition

1.16.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.16.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

Revenue Recognition (continued)

1.16.3 Transfers, Grants and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.18 Retirement Benefits

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Provident Fund (CJPF) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

1.19 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.20 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount.

That reduction is an impairment loss.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

Impairment of assets (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.21 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
2. Inventories		
Consumable stores	43 733	1 884
3. Trade and other receivables from exchange transactions		
Other debtors	1 730	13 251
4. VAT receivable		
VAT	1 133 983	2 624 186
5. Consumer debtors		
Gross balances		
Rates	904 006	1 327 575
Refuse	1 162 012	1 028 488
	2 066 018	2 356 063
Less: Provision for debt impairment		
Rates	(827 376)	(1 096 522)
Refuse	(624 161)	(827 201)
	1 451 537	1 923 723
Net balance		
Rates	904 006	1 327 575
Refuse	1 162 012	1 028 488
Provision for debt impairment	(1 451 537)	(1 923 724)
	614 481	432 339
Rates		
Current (0 -30 days)	625 087	543 455
31 - 60 days	140 358	295 040
61 - 90 days	31 839	27 681
91 - 120 days	28 094	24 425
121 - 365 days	78 628	436 974
	904 006	1 327 575
Refuse		
Current (0 -30 days)	335 282	312 655
31 - 60 days	113 798	106 118
61 - 90 days	79 292	73 941
91 - 120 days	77 362	72 141
121 - 365 days	556 278	463 633
	1 162 012	1 028 488
Reconciliation of debt impairment provision		
Balance at beginning of the year	(1 923 723)	(1 834 792)
Contributions to provision	472 187	(88 931)
Balance at year end	(1 451 536)	(1 923 723)

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 941	18 084
Bank balances	30 143	316 921
Short-term deposits	8 642 014	10 041 628
	8 674 098	10 376 633
Bank overdraft	(1 649 689)	(1 666 095)
Current assets	8 674 098	10 376 633
Current liabilities	(1 699 936)	(1 666 095)
	6 974 162	8 710 538

The municipality had the following bank accounts

Bank	Account number	Account description	Bank statement balances		Cashbook balances	
			30 June 2012	30 June 2011	30 June 2012	30 June 2011
ABSA BANK	- 4053-7095-58	Current Account	40 612	(1 666 095)	(50 247)	(1 666 095)
ABSA BANK	- 9104-6894-80	Investment	-	64 532	-	64 532
FNB BANK	- 6233-1260-240	Current account	(55 879)	-	(1 649 689)	-
FNB BANK	- 6220-5724-174	Current Account	30 143	316 921	30 143	316 921
FNB BANK	- 7410-7649-045	Investment	10 000	21 046	10 000	21 046
FNB BANK	- 7433-2463-674	Investment	6 377 791	6 035 138	6 377 791	6 035 138
FNB BANK	- 6233-3315-952	Investment	1 040 081	2 792 585	1 040 081	2 792 585
FNB BANK	- 6233-3317-594	Investment	11 439	-	11 439	-
STANDARD BANK	- 0685-5356-0002	Investment	1 122 272	1 072 037	1 122 272	1 072 037
NEDBANK	- 9998-5256-5126	Investment	67 852	44 044	67 852	44 044
MERCANTILE	- 4100-1677-25	Investment	12 580	12 247	12 580	12 247
Total	Total		8 656 891	8 692 455	6 972 222	8 692 455

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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7. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	198 150	(84 250)	113 900	198 150	(84 250)	113 900

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	113 900	113 900

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	113 900	113 900

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Carrying amounts of Investment Property carried at Provisional amounts are as follows:

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	206 824	192 044
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8. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and asset adjustments	Carrying value	Cost / Valuation	Accumulated depreciation and asset adjustment	Carrying value
Land	168 000	-	168 000	168 000	-	168 000
Buildings	6 478 518	(1 648 545)	4 829 973	6 478 518	(1 429 868)	5 048 650
Infrastructure	17 253 938	(1 942 668)	15 311 270	5 619 637	(1 053 230)	4 566 407
Community	21 220 883	(2 278 763)	18 942 120	28 392 273	(2 522 100)	25 870 173
Capital work in progress	16 843 363	-	16 843 363	27 599 702	-	27 599 702
Finance leased assets	1 994 783	(775 462)	1 219 321	848 703	(486 728)	361 975
Other property, plant and equipment	10 280 865	(3 816 122)	6 464 743	7 679 406	(3 401 863)	4 277 543
Total	74 240 350	(10 461 560)	63 778 792	76 786 239	(8 893 789)	67 892 450

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers from WIP	Transfer to Mtubaba	Depreciation	Impairment reversal	Total
Land	168 000	-	-	-	-	-	168 000
Buildings	5 048 650	-	-	-	(218 677)	-	4 829 973
Infrastructure	4 566 407	-	11 634 301	-	(889 438)	-	15 311 270
Community	25 870 173	-	9 375 937	(15 614 847)	(689 143)	-	18 942 120
Capital work in progress	27 599 702	10 253 899	(21 010 238)	-	-	-	16 843 363
Finance leased assets	361 975	1 146 080	-	-	(288 734)	-	1 219 321
Other property, plant and equipment	4 277 543	3 910 435	-	(532 885)	(869 254)	(321 096)	6 464 743
	67 892 450	15 310 414	-	(16 147 732)	(2 955 246)	(321 096)	63 778 790

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Correction of error	Depreciation	Total
Land	168 000	-	-	-	168 000
Buildings	4 939 367	203 866	382 556	(477 139)	5 048 650
Infrastructure	687 757	-	3 952 810	(74 160)	4 566 407
Community	13 219 847	-	13 571 829	(921 503)	25 870 173
Capital work in progress	36 026 129	13 091 322	(21 517 749)	-	27 599 702
Finance leased assets	251 283	267 354	-	(156 662)	361 975
Other property, plant and equipment	3 885 180	1 396 031	(5 886)	(997 782)	4 277 543
	59 177 563	14 958 573	(3 616 440)	(2 627 246)	67 892 450

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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9. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	887 895	(217 181)	670 714	887 895	(142 327)	745 568

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	745 568	(74 854)	670 714

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	19 075	850 230	(123 737)	745 568

10. Deposits

Deposits	14 200	14 200
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11. Finance lease obligation

Minimum lease payments due

- within one year	910 331	318 881
- in second to fifth year inclusive	767 741	266 154
	1 678 072	585 035
less: future finance charges	(220 000)	(112 937)
Present value of minimum lease payments	1 458 072	472 098

Present value of minimum lease payments due

- within one year	585 000	472 289
- in second to fifth year inclusive	873 072	-
	1 458 072	472 289
Non-current liabilities	873 072	-
Current liabilities	585 000	472 289
	1 458 072	472 289

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
12. Trade and other payables from exchange transactions		
Trade payables	1 196 079	6 698 585
Cellphone contracts	609	1
Deposits received	1 925	9 325
Leave accrual	869 936	908 230
Annual bonus accrual	172 393	251 430
	2 240 942	7 867 571
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Hlabisa Sewerage System Project	1 798 319	4 069 782
National Electrification Program	4 686 392	2 129 027
Corridor Development	652 752	1 425 041
Finance Management Grant	-	(596 493)
MIG	1 268 862	1 319 583
DOH - Disaster Management Grant	1 267 785	1 267 785
DPLG - MSIG	-	(498 713)
Library Grant	-	(185 833)
Project Consolidate - Water Rectification	(544 881)	(544 881)
DOH - Community Gardens	-	202 298
DTLGA - Informal Trading	-	(200 000)
PMS Grant - DC 27	-	(198 044)
Project Consolidate - Waste Dump	-	(174 274)
Internal Control Units	-	1 882
MDPC Grant	-	(8 949)
Mpembeni Game Lodge	-	54 203
Zampilo Tourism Centre	-	(48 454)
IDP Grant - DC 27	-	(38 172)
Community Initiative Grant	-	42 452
Municipal Development Plan	-	12 399
IDP Grant	-	9 922
DTLGA - Community Development	-	9 011
GIS Grant	-	8 619
Shikishela Creche	-	8 346
Hlabisa Town Beautification	274 500	2 279 575
Computer Grant	-	54
DC 27 - Voter registration	-	2 000
DOH Socio economic grant	-	4 676
Inter Government department monitoring	-	4 677
Mpembeni Health centre	-	4 172
Sports Grant	-	(80 917)
	9 403 729	10 280 774

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Property rates		
Rates received		
Municipal	317 189	307 113
	<u>317 189</u>	<u>307 113</u>
Property rates - penalties imposed and collection charges	179 835	112 535
	<u>497 024</u>	<u>419 648</u>

The following are the rates randage that were applied to the valuations in respect of the various categories:

Category	Randage in cents/Rand
Residential :	0.0105
Business :	0.0131
Specialized:	0.0026

Residential properties are subject to a rebate of R55 000 of the market value.

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2012.

15. Service charges

Refuse removal	232 871	660 448
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16. Government grants and subsidies

Equitable share	37 856 000	39 264 974
Conditional and other grants	27 738 850	27 803 299
	<u>65 594 850</u>	<u>67 068 273</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Conditional & Other Grants

Balance unspent at beginning of year	10 280 775	5 008 838
Current-year receipts	26 861 804	33 075 236
Conditions met - transferred to revenue	(27 738 850)	(27 803 299)
	<u>9 403 729</u>	<u>10 280 775</u>

17. Other revenue

Rental income - third party	206 824	192 044
Sundry income	938 843	276 335
	<u>1 145 667</u>	<u>468 379</u>

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
18. Employee related costs		
Basic	8 066 408	8 485 059
Bonus	462 810	573 040
Medical aid - company contributions	226 274	311 274
UIF	77 514	87 329
SDL	115 454	117 024
Post-employment benefits - Pension - Defined contribution plan	756 782	781 938
Travel, motor car, accommodation, subsistence and other allowances	812 123	999 527
Overtime payments	855 113	1 000 505
Housing benefits and allowances	883 006	1 045 357
Telephone, cell allowances	662 184	608 377
Industrial Council	73 043	72 976
Leave	23 895	(21 499)
Workmens Compensation	-	282
	13 014 606	14 061 189
Remuneration of Municipal Manager		
Annual Remuneration	228 523	388 875
Car Allowance	63 487	144 755
Contributions to UIF, Medical and Pension Funds	4 338	34 299
Other Allowances	537 105	137 517
Other	-	19 963
	833 453	725 409
Remuneration of Chief Finance Officer		
Annual Remuneration	388 399	372 252
Car Allowance	118 727	113 792
Contributions to UIF, Medical and Pension Funds	1 497	46 159
Other Allowances	169 822	114 356
Other	-	30 388
	678 445	676 947
Remuneration Corporate and Human Resources (Corporate Services)		
Annual Remuneration	252 161	367 347
Car Allowance	72 097	101 329
Contributions to UIF, Medical and Pension Funds	2 800	20 517
Other Allowances	179 537	137 667
Other	-	72 821
	506 595	699 681
Remuneration of Technical Services		
Annual Remuneration	261 134	360 242
Car Allowance	108 276	135 361
Contributions to UIF, Medical and Pension Funds	23 881	1 497
Other Allowances	95 837	104 800
Other	-	57 365
	489 128	659 265

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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18. Employee related costs (continued)

Remuneration of Community Services

Annual Remuneration	355 174	215 961
Car Allowance	86 555	31 190
Contributions to UIF, Medical and Pension Funds	1 373	1 458
Other Allowances	179 541	51 912
Other	-	14 864
	622 643	315 385

19. Remuneration of councillors

Mayor	330 745	230 789
Deputy Mayor	275 973	231 137
Executive Committee	281 941	821 382
Speaker	-	394 952
Councillors	514 028	3 689 651
Councillors Allowances	2 239 191	1 517 570
	3 641 878	6 885 481

In-kind benefits

The Mayor, Deputy Mayor and Mayoral Committee Members are part-time employees. Speaker is a full-time employee. Only the Mayor, Deputy Mayor and Speaker have offices and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor has one full-time bodyguard. The Speaker has one full-time bodyguard and Executive Committee Member has one.

20. Depreciation and amortisation

Property, plant and equipment	3 030 100	2 598 431
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21. Interest paid

Finance leases	323 533	90 596
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22. Contracted services

Contract services	6 468	2 632 337
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Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
23. General expenses		
Administration Expenses	624 938	411 401
Advertising	721 699	540 152
Assets expensed	321 096	-
Auditors remuneration	2 724 813	2 339 461
Bank charges	62 930	94 074
Cleaning	76 152	32 618
Community development and training	2 249 599	1 346 518
Consulting and professional fees	6 427 551	7 944 133
Consumables	-	51 588
Donations	16 147 732	-
Entertainment	74 897	236 001
Fines and penalties	5 195	7 766
Fuel and oil	773 364	990 603
General	326 848	529 617
Insurance	279 851	879 533
Lease rentals on operating lease	487 974	260 161
Legal Claim	1 048 499	447 848
Postage and courier	474 826	461 496
Printing and stationery	155 212	144 818
Promotions	70 430	126 293
Royalties and license fees	850	45 002
Security (Guarding of municipal property)	701 416	645 339
Sports	276 795	278 635
Subscriptions and membership fees	5 101	122 604
Subsistence & Travel	1 527 813	2 237 013
Tourism development	228 258	115 647
Training	181 053	188 636
Uniforms	30 406	30 799
Utilities - Other	298 554	252 617
	36 303 852	20 760 373
24. Cash generated from operations		
(Deficit)/Surplus for the year	(1 684 731)	9 313 027
Adjustments for:		
Depreciation and amortisation	3 030 100	2 598 431
Finance costs - Finance leases	323 533	90 596
Debt impairment	766 361	88 932
Appropriations	-	(167 897)
Donation to Mathuba	16 147 731	-
Other non-cash items	(323 534)	90 509
Changes in working capital:		
Inventories	(41 849)	17 333
Trade and other receivables from exchange transactions	11 521	14 305
Consumer debtors	(948 503)	467 597
Trade and other payables from exchange transactions	(5 626 629)	2 339 768
VAT	1 490 203	(1 078 331)
Unspent conditional grants and receipts	(877 045)	5 271 936
Other liability 3	321 095	-
	12 588 253	19 046 206
25. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure - opening balance	14 786	6 154
Add: Fruitless and wasteful expenditure - current year	257 558	-
less: Condoned	(6 154)	8 632
	266 190	14 786

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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25. Fruitless and wasteful expenditure (continued)

The above item relates to penalties in respect of late payments to Telkom and Eskom for 2011-2012 financial year.

26. Irregular expenditure

Opening balance	489 666	-
Add: Irregular Expenditure - current year	7 684 245	489 666
	8 173 911	489 666

Details of irregular expenditure not recoverable (not condoned)

-

27. SCM Deviations

Description

1 Quotation	1 345 225	-
2 Quotations	13 400	-
No Preference Points Applied	2 968 671	-
	4 327 296	-

The following awards have been included in the above amount of R4 327 296.

Without Tax Clearance Certificate R387 687.26

Did not declare R487 235.35

Not on database R172 286.79

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements

28. Additional disclosure in terms of Municipal Finance Management Act

Auditor's remuneration

Current year auditor's remuneration	2 724 813	2 339 461
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VAT

VAT receivable	1 133 983	2 624 186
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VAT output payables and VAT input receivables are shown in note 4 .

All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

Current year subscription / fee	2 977 116	-
Amount paid - current year	(2 977 116)	-
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	1 377 488	-
Amount paid - current year	(1 377 488)	-

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
28. Additional disclosure in terms of Municipal Finance Management Act (continued)	-	-
29. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Property, plant and equipment	4 965 213	26 915 283

30. Events after reporting date

There are no events after reporting date requiring disclosure.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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31. Key Sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award

32. Risk management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Notice deposits

33. Related parties

Relationships

Wife of councilor GR Mchunu

Makhosandile trading enterprise owned by EN Zungu provided catering to the municipality amounting to R2 750

Compensation to accounting officer and other key management

Post-employment benefits - Pension - Defined contribution plan

5 043

2 476

34. Contingencies

The Municipality is in litigation with Mguni Wells CC over the construction of the city hall. The amount in question is R 763 782.

35. Unauthorised expenditure

Over expenditure

1 684 731

-

Conditional Grants not cashed back

839 566

-

2 524 297

-

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
-----------------	------	------

36. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:

Statement of financial position

Finance leases

Previously stated	-	217 456
Adjustment	-	209 833
	-	427 289

Statement of Financial Performance

Interest expense

Previously stated	-	(42 701)
Adjustment	-	(47 859)
	-	(90 560)

37. Prior period errors

Property, Plant and Equipment were capitalised at incorrect values as well as not accounted for correctly.

Income from Grants and Subsidies of R2 249 951.39 were not recognised in the prior year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	(3 616 440)
Unspent Grants and Subsidies	-	(2 249 951)
Opening Accumulated Surplus or Deficit	-	3 616 440

Statement of Financial Performance

Revenue from Grants and subsidies	-	2 249 951
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38. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

Hlabisa Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

[illegible]

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647

Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
Agricultural/Biological assets													
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets													
Computers - software & programming	888	-	-	-	-	888	(217)	-	-	-	-	(217)	671
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
888	-	-	-	-	-	888	(217)	-	-	-	-	(217)	671
Investment properties													
Investment property	198	-	-	-	-	198	(84)	-	-	-	-	(84)	114
198	-	-	-	-	-	198	(84)	-	-	-	-	(84)	114
Total													
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	7 647	-	-	-	-	7 647	7 647
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	888	-	-	-	-	888	(217)	-	-	-	-	(217)	671
Investment properties	198	-	-	-	-	198	(84)	-	-	-	-	(84)	114
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1 086	-	-	-	-	-	1 086	7 346	-	-	-	-	7 346	8 432

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated Depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix D

	Prior Year	Current Year
Segmental Statement of Financial Performance for the year ended		

[illegible]

Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year			Current Year			
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2011 Act. Bal. Rand	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	317 189	-	317 189	-	
Service charges	232 871	-	232 871	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	179 835	-	179 835	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	1 622 651	-	1 622 651	-	
Licences and permits	282 328	-	282 328	-	
Government grants & subsidies	65 594 850	-	65 594 850	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	193	-	193	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	206 824	-	206 824	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	938 843	-	938 843	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	851 520	-	851 520	-	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2011 Act. Bal.	Current year 2011 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	70 227 104	-	70 227 104	-
Expenses				
Personnel	(13 014 606)	-	(13 014 606)	-
Manufacturing -	-	-	-	-
Employee costs	-	-	-	-
Remuneration of	(3 641 878)	-	(3 641 878)	-
councillors	-	-	-	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(3 030 100)	-	(3 030 100)	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(323 533)	-	(323 533)	-
Debt impairment	(766 362)	-	(766 362)	-
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	(274 415)	-	(274 415)	-
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	-	-	-	-
Contracted Services	(6 468)	-	(6 468)	-
Grants and subsidies paid	(14 550 621)	-	(14 550 621)	-
Cost of housing sold	-	-	-	-
General Expenses	(36 303 851)	-	(36 303 851)	-
Other (taken out of	-	-	-	-
General expenses)	-	-	-	-
Other (taken out of	-	-	-	-
General expenses)	-	-	-	-
Other (taken out of	-	-	-	-
General expenses)	-	-	-	-
Other (taken out of	-	-	-	-
General expenses)	-	-	-	-
Other (taken out of	-	-	-	-
General expenses)	-	-	-	-
	(71 911 834)	-	(71 911 834)	-
Other revenue and costs				
Gain or loss on disposal	-	-	-	-
of assets and liabilities	-	-	-	-
Gain or loss on exchange	-	-	-	-
differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on	-	-	-	-
biological assets and	-	-	-	-
agricultural produce	-	-	-	-
Income from equity	-	-	-	-
accounted investments	-	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2011 Act. Bal.	Current year 2011 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	(1 684 730)	-	(1 684 730)	-